

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**WATER DIVISION
Water Branch**

**RESOLUTION NO. W-4448
January 8, 2004**

RESOLUTION

**(RES. W-4448), ROLLING GREEN UTILITIES, INC.
(RGU), SEWER DIVISION. ORDER AUTHORIZING A
GENERAL RATE INCREASE IN SEWER RATES
PRODUCING AN INCREASE IN ANNUAL REVENUES
OF \$11,233 OR 18.02% FOR TEST YEAR 2003.**

SUMMARY

By Draft Advice Letter, accepted on March 4, 2003, RGU requested an increase in rates producing an increase in annual revenue of \$16,360, or 26.2% for test year 2003. The increase is requested to recover lost revenue due to the removal of its only commercial customer, as well as for increased operating expenses, and to provide an adequate rate of return on its capital investment. This resolution grants a general rate increase in gross annual revenues of \$11,233 or 18.02% for test year 2003.

BACKGROUND

RGU is a class D sewer utility and serves approximately 277 residential customers in the Rolling Green Terrace Subdivision near Big Pine, Inyo County. RGU requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for sewer service to produce additional revenues of \$16,360 or 26.2% in 2003. RGU's request shows 2003 gross revenues of \$62,325 at present rates increasing to \$78,685 at proposed rates to produce a rate of return on rate base of 13.25%.

RGU's present rates became effective on June 13, 2000, pursuant to Res. W-4196, which authorized a general rate increase of \$10,395 or 22.86% for test year 1999 and a 13.5% rate of return.

DISCUSSION

The Water Division (Division) made an independent analysis of RGU's summary of earnings and issued its report in November of 2003. Appendix A shows RGU's estimates as well as the Division's estimates of the summary of earnings at present, requested, and recommended rates. Appendix A also shows differences between RGU's and the Division's estimates in operating expenses and rate base. RGU was informed of the Division's differing views of operating expenses and rate base and accepted the Division's recommended rates as shown in Appendix A.

RGU files Annual Reports regularly. Res. W-4196, dated June 8, 2000, ordered RGU to update several rules and forms in its filed tariffs. Compliance with this order is still outstanding. RGU should comply with the order within a specific time period. If RGU does not comply, the rate increase authorized in this resolution should be nullified, and rates should revert back to pre-resolution status. RGU's current rate structure consists of two schedules: No. 1, General Residential Service, and No. 2, Commercial and Industrial Service. Schedule No. 2 is no longer effective. The rates proposed by the Division are shown in Appendix B.

RGU requested a rate of return of 13.25% for test year 2003. The Commission's Audit and Compliance Branch recommends rate of return between 12.40% and 13.40% for Class D water and sewer utilities. The Division recommends the midpoint of that range, or 12.90%.

The loss of the system's only commercial customer, The Big Pine Care Center, reduced the company's revenues by 12.62%. If a new tenant occupies the former Big Pine Care Center building, or if any other commercial customers are added to the system at a rate greater than the General Residential Service rate, RGU should file for a rate adjustment within 60 days in order to reduce the General Residential Service rate to a level consistent with the additional income.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on May 1, 2003. The Commission received one complaint from a part-time resident regarding the proposed RGU rate increase.

A public meeting was held on June 11, 2003. The Commission's representative explained Commission rate-setting procedures. RGU's representative explained the need for the rate increase. Five customers were present. The discussion centered on the closing of the Big Pine Care Center, and the possible rate decrease if another tenant occupies the building.

COMPLIANCE

RGU needs to update its Title Page; Schedule LC, Late Payment Charge; Preliminary Statement; Rule 1, Definitions; Rule 2, Description of Service; Rule 3, Application for Service; Rule 4, Contracts; Rule 5, Special Information Required on Forms; Rule 6, Establishment and Reestablishment of Credit; Rule 7, Deposits; Rule 8, Notices; Rule 9, Rendering and Payment of Bills; Rule 10, Disputed Bills; Rule 11, Discontinuance and Restoration of Service; Rule 12, Information Available to Public; Rule 13, Temporary Service; Rule 14, Continuity of Service; Rule 15, Main Extensions; Rule 16, Service Connections, Meters, and Customer's Facilities; Rule 17, Measurement of Service; Rule 18, Meter Tests and Adjustment of Bills for Meter Error; Rule 19, Service to Separate Premises and Multiple Units, and Resale of Sewer Service; Rule 20, Limitation on Wastes Discharged into the Utility's Sewer System; Rule 21, Commercial, Institutional and Industrial Wastes; update Form 1, Application for Sewer Service; Form 2, Customer's Deposit Receipt; and Form 3, Bill for Service.

FINDINGS AND CONCLUSIONS

1. The summary of earnings (Appendix A) developed by the Branch is reasonable and should be adopted.
2. The rates proposed by the Branch (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used in the preparation of this report are reasonable and should be adopted.
4. This is an uncontested matter subject to public notice and comment exclusion provided in Public Utilities Code Section 311 (g) (3).
5. RGU should within 60 days be ordered to update its schedule LC, Late Payment Charge, Preliminary Statement, Rule 1, Definitions; Rule 2, Description of Service; Rule 3, Application for Service; Rule 4, Contracts; Rule 5, Special Information

Required on Forms; Rule 6, Establishment and Reestablishment of Credit; Rule 7, Deposits; Rule 8, Notices; Rule 9, Rendering and Payment of Bills; Rule 10, Disputed Bills; Rule 11, Discontinuance and Restoration of Service; Rule 12, Information Available to Public; Rule 13, Temporary Service; Rule 14, Continuity of Service; Rule 15, Main Extensions; Rule 16, Service Connections, Meters, and Customer's Facilities; Rule 17, Measurement of Service; Rule 18, Meter Tests and Adjustment of Bills for Meter Error; Rule 19, Service to Separate Premises and Multiple Units, and Resale of Sewer Service; Rule 20, Limitation on Wastes Discharged into the Utility's Sewer System; Rule 21, Commercial, Institutional and Industrial Wastes; update Form 1, Application for Sewer Service; Form 2, Customer's Deposit Receipt; and Form 3, Bill for Service. If RGU does not comply, the rate increase authorized in this resolution should be nullified and rates should revert back to pre-resolution status.

6. RGU has lost significant revenue due to the loss of its only commercial customer, the Big Pine Care Center. If a new tenant occupies the former Big Pine Care Center building or any commercial customers are added to the system at a rate greater than the General Residential Service rate, RGU should file for a rate adjustment in order to reduce the rates to a level consistent with the additional income.

IT IS ORDERED THAT:

1. Authority is granted under the Public Utilities Code Section 454 for Rolling Green Utilities, Inc.'s Sewer Division to file an advice letter incorporating the Summary of Earnings and revised rate schedules attached to this resolution as Appendices A and B, respectively, and concurrently to cancel its present effective rate Schedules No. 1, General Residential Service, and No. 2, Commercial and Industrial Service. Its filing shall comply with General Order 96-A. The effective date of the revised schedules shall be five days after the date of filing.
2. Within 60 days after the effective date of this resolution, RGU-S shall update its Schedule LC, Late Payment Charge, Preliminary Statement, Rule 1, Definitions; Rule 2, Description of Service; Rule 3, Application for Service; Rule 4, Contracts; Rule 5, Special Information Required on Forms; Rule 6, Establishment and Re-Establishment of Credit; Rule 7, Deposits; Rule 8, Notices; Rule 9, Rendering and Payment of Bills; Rule 10, Disputed Bills; Rule 11, Discontinuance and Restoration of Service; Rule 12, Information Available to Public; Rule 13, Temporary Service; Rule 14, Continuity of Service; Rule 15, Main Extensions; Rule 16, Service Connections, Meters, and Customer's Facilities; Rule 17, Measurement of Service; Rule 18, Meter Tests and Adjustment of Bills for Meter Error; Rule 19, Service to Separate Premises and Multiple Units, and Resale of Sewer Service; Rule 20, Limitation on Wastes

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Discharged into the Utility's Sewer System; Rule 21, Commercial, Institutional and Industrial Wastes; update Form 1, Application for Sewer Service; Form 2, Customer's Deposit Receipt; Form 3, Bill for Service. If Rolling Green Utilities, Inc. does not comply, the rate increase authorized herein shall be nullified and rates should revert back to pre-resolution status.

3. Rolling Green Utilities, Inc.'s Schedule No. 2, Commercial and Industrial Service, is no longer effective, and shall be removed from its tariff book within 30 days of this resolution.
4. If a new tenant occupies the former Big Pine Care Center building or any commercial customers are added to the system at rates greater than the General Residential Service Rate, Rolling Green Utilities, Inc. sewer system shall within 60 days of the additional new customer(s) described above, file an advice letter requesting the higher rate schedules making the appropriate revenue requirement and rate adjustments to a level consistent with the additional revenue realized with the new commercial customers.
5. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on January 8, 2004; the following Commissioners voting favorably thereon:

WILLIAM AHERN
Executive Director

MICHAEL R. PEEVEY
President

CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY

Commissioners

APPENDIX A
ROLLING GREEN UTILITIES INC.
SEWER DIVISION

SUMMARY OF EARNINGS

	Utility Estimate		Staff Estimate		Recommended Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
Revenue					
Sewer Revenue	\$62,325	\$78,685	\$62,325	\$78,685	\$77,772
Expenses					
Maintenance Labor	4947	4947	4947	4947	4947
Materials Expense	5993	5993	5821	5821	5821
Contract Work	1854	1854	1854	1854	1854
Transportation Expense	3764	3764	3764	3764	3764
Other Plant Maintenance Expenses	4069	4069			
Sewer Lease			5022	5022	5022
Office Salaries	4128	4128	4128	4128	4128
Management Salaries	20640	20640	18720	18720	18720
Employee Pension and Benefits	4756	4756	4622	4622	4622
Office Service and Rentals	500	500	500	500	500
Uncollectibles	0	0	0	0	0
Office Supplies and Expenses	3407	3407	3407	3407	3407
Professional Services	3678	3678	3678	3678	3678
Insurance Expense	2348	2348	3034	3034	3034
Regulatory Commission Expenses	1200	1200	1200	1200	1200
General Expenses	1250	1250	1250	1250	1250
Total Operating Expenses	62534	62534	61946	61946	61947
Depreciation	4326	4326	4326	4326	4326
Payroll Taxes	2574	2574	2416	2416	2416
Property Taxes	700	700	700	700	700
Franchise Fee	1246	1578	1247	1574	1555
Net Income			(8310)	7723	6828
State Income Tax	400	629	800	800	800
Federal Income Taxes	0	974	0	1056	904
Total Deductions	71780	73315	71435	72818	72648
Net Revenue (loss)	(9455)	5370	(9110)	5867	5124
Rate Base Average Year	40532	40532	39726	39726	39726
Rate of Return	-23.33%	13.25%	-22.93%	14.77%	12.90%

APPENDIX B

ROLLING GREEN UTILITIES INC.
SEWER DIVISION

Schedule No. 1

GENERAL RESIDENTIAL SERVICE

APPLICABILITY

Applicable to all general residential sewer service.

TERRITORY

Rolling Green Terrace Subdivision (Tracts 1, 2, 3, and 4) near the town of Big Pine,
Inyo County.

RATES

Single Family Residence.....\$23.40 (I)

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

APPENDIX C

ROLLING GREEN UTILITIES INC.
SEWER DIVISION

COMPARISON OF RATES

Test Year 2003

	<u>Present Rates</u>	<u>Proposed Rates</u>	<u>Percent Increase</u>
All Services	\$18.75	\$23.40	24.8%

APPENDIX D

ROLLING GREEN UTILITIES INC.
SEWER DIVISION

ADOPTED QUANTITIES
TEST YEAR 2003

1.	Ad Valorem Taxes:	
	Tax Rate	1%
	Assessed Value	\$8,600
	Total PropertyTax:	\$700
2.	Franchise Tax:	
	Tax Rate	2%
	Revenues	\$77,772
	Total Franchise Tax	\$1,555
3.	Service Connections:	277
4.	Payroll:	
	Labor	\$4,947
	Office	\$4,128
	Management	\$18,720

Adopted Taxes:
Test Year 2003

1.	Operation Revenues	\$77,772
2.	Expenses	\$61,947
3.	Depreciation	\$4,326
4.	Taxes other than Income	\$4,671
5.	Taxable Income for State Tax	\$6,828
6.	State Tax @ 8.84% (minimum of \$800)	\$800
7.	Taxable Income for FIT	\$6,028
8.	Federal Income Tax @ 15%	\$904
9.	Total Income Tax	\$1,704